Australian Shareholders' Association Limited
ABN 40 000 625 669
Suite 11, Level 22
227 Elizabeth Street, Sydney NSW 2000
PO Box A398, Sydney South NSW 1235
t (02) 9252 4244 | f (02) 9071 9877
e share@asa.asn.au

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| **Company** | Clinuvel Pharmaceuticals Ltd |
| **Code** | CUV |
| **Meeting** | AGM |
| **Date** | 20 November 2019 |
| **Venue** | The Events Centre, Collins St Melbourne |
| **Monitor** | **Claudio Esposito** |

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| **Number attendees at meeting** | 82 |
| **Number of holdings represented by ASA** | 7 |
| **Value of proxies** | $60,000 |
| **Number of shares represented by ASA** | 2011 |
| **Market capitalisation** | $1.5bn |
| **Were proxies voted?** | Yes, on a poll |
| **Pre AGM Meeting?** | Yes, with CFO and Company Secretary Darren Keamy and Investor Relations Manager Malcolm Bull |

**Strong vote against CEO performance rights in a disjointed and inefficient meeting**

Clinuvel is an Australian Biopharmaceutical company that specialises in severe skin pigmentation disorders. Using implant technology to deliver their therapy, Clinuvel offer hope for patients who live very debilitating and often painful lives. Clinuvel began after having listed on the ASX as 'Epitan' in 2001, but following this they had on-going difficulty proving to the FDA that their product was feasible as it was initially marketed cosmetically and could not gain traction until shareholders petitioned for Non-Executive Director at the time, Dr Philip Wolgen to take the reins in 2005. After changing its name to what is today and also changing its strategic direction, Clinuvel set out researching and developing their lead product, *Scenesse* (Afamelanotide) for the treatment of genetic Erythropoietic Protoporphyria (EPP), which is a rare skin pigment disorder in which the skin of those afflicted has an allergic reaction to the sun. In 2014 Scennese was approved in Europe which saw their revenues double by 2016 and again in 2017. Today with revenues of $32m and a profit of around $18m Clinuvel is capitalised at around $1.5b entering the ASX top 200 and subsequently gaining notoriety among many investors and organisations including the ASA.

The meeting had 82 attendees with around 60 having direct shareholding. The meeting kicked off with words given by the Chairman-to be, Willem Blijdorp who gave a somewhat lengthy summary of Clinuvel's corporate decisions covering structural changes, the value of getting the right management in place and the fundamental philosophy behind Clinuvel's remuneration strategy. He has strong views on management

having a meaningful ownership of equity stating that in some cases a 20% ownership by management would be ideal to align shareholders' interests. Having viewed their annual report from 2015 when Mr Blijdorp was first appointed, by the years end he had already purchased 383,000 shares which are currently valued at around $11m. To date however, no further purchases have been made by Mr Blijdorp.

Retiring Chairman Stan McLiesh also provided a well delivered and positive picture of Clinuvel performance past and future and understandably so. After having served as a NED for eight years and then as Chairman for nine, Mr McLiesh has been part of the company's success from the very earliest of years and when enormous uncertainty prevailed. With his objective of retiring upon FDA approval in the US, Mr McLiesh will definitely step down on a positive note.

Finally, we had MD and CEO Philip Wolgen's address in which he covered in extensive detail the company's progress from many different facets including pricing strategy, geo-political risks, regulatory obstacles and their long-term strategy for the future of 'Melanocortins' as a therapy. While the latest news on USFDA approval has shareholders feeling optimistic, Scenesse is hypothesised to help patients because of its influence on repairing DNA and once approved by the ethics committee Clinuvel will start trials to support this hypothesis. Wolgen states that proving this hypothesis would be the 'missing-link' that will demonstrate to Clinuvel exactly how it works. While Dr Wolgen's address was longer and more detailed than expected, he was comprehensive in his address and of questions that were asked form the audience.

ASA had asked about the National Institute for Health and Care Excellence (NICE) objection for reimbursement and the Special Access Scheme. These are two potentially good revenue sources for Clinuvel to which Dr Wolgen had answered at the end of his address. The NICE issue is still currently on hold and Clinuvel await a resolution. A Special Access Scheme had taken place primarily in Switzerland but also in Italy and such cases sees the company receiving full reimbursement of costs.

A member of the audience had asked about the development of Scenesse as a treatment for children. Dr Wolgen advised that the treatment needs further research particularly at different stages of life. Clinuvel would need to first research 15-18-year-old demographic and progress to lower age brackets over time.

Another question looked at Clinuvel listing on the NASDAQ but Dr Wolgen was sceptical of the valuations in the current climate and would hold off until he could clearly see an opportunity. Other questions revolved around treatment for Vitiligo, a much more common pigment disorder in which white patches appear in the skin. Dr Wolgen mentioned that the treatment was invaluable for African Americans because of their darker skin colour affecting not just their physical features but more so their identity and hence the impact would be far greater. He also mentioned that whilst US approval was granted, Clinuvel still need to deploy resources to help facilitate treatment as insurers need to agree to reimbursement and medical treatment at select treatment centres is slowly rolled out across the US.

The items up for nomination were all voted in favour. See table below.

| **Items** | **For** | **Against** |
|---|---|---|
| 1 Adoption of the remuneration report | 88.96% | 9.79% |
| 2 Re-election of Mrs Brenda Shanahan | 91.26% | 7.72% |
| 3 Re-election of Mrs Susan Smith | 98.86% | 0.12% |
| 4 Approval of grant of Performance Rights to Mr Wolgen | 60.06% | 38.61% |
| 5 Increase in Non-Executive Directors' Fee Pool | 97.95% | 0.83% |

Clinuvel have stated that proxy advisor reports objected to the performance rights because the value of the rights were too high based on the current share price. While we're not entirely sure of the reasons for the outcome, feedback from shareholders in attendance were that the number of vested shares on offer was

too high, the remuneration matrix or guide used to determine the shares to be allocated was too complex and also the late addition of hurdles that was already clearly known to materialise. Clinuvel advise that Mr Wolgen's remuneration is justified despite the number and complexity of hurdles prescribed in the matrix being quite challenging and that given such conditions, they would only realistically expect Dr Wolgen to achieve around 20% of what has been outlined.

In conclusion, while the meeting had covered all items of the notice of meeting and all questions were addressed our feeling was that the meeting was performed in a somewhat inefficient and disjointed manner. The meeting would have benefitted from shorter presentations by the keynote speakers with Mr McLiesh being the exception. They had also failed to address the financial accounts as being the first item which confused me initially however Mr McLiesh did apologise later for this in his address.